



## **Penge & Paragraffe - Comments from a global leading player in maritime finance**

**Copenhagen, 28 October 2010**

**Ivar H. Myklebust,  
Head of Shipping Denmark  
Shipping Oil Services & International Division (SOSID)**



## Table of contents:

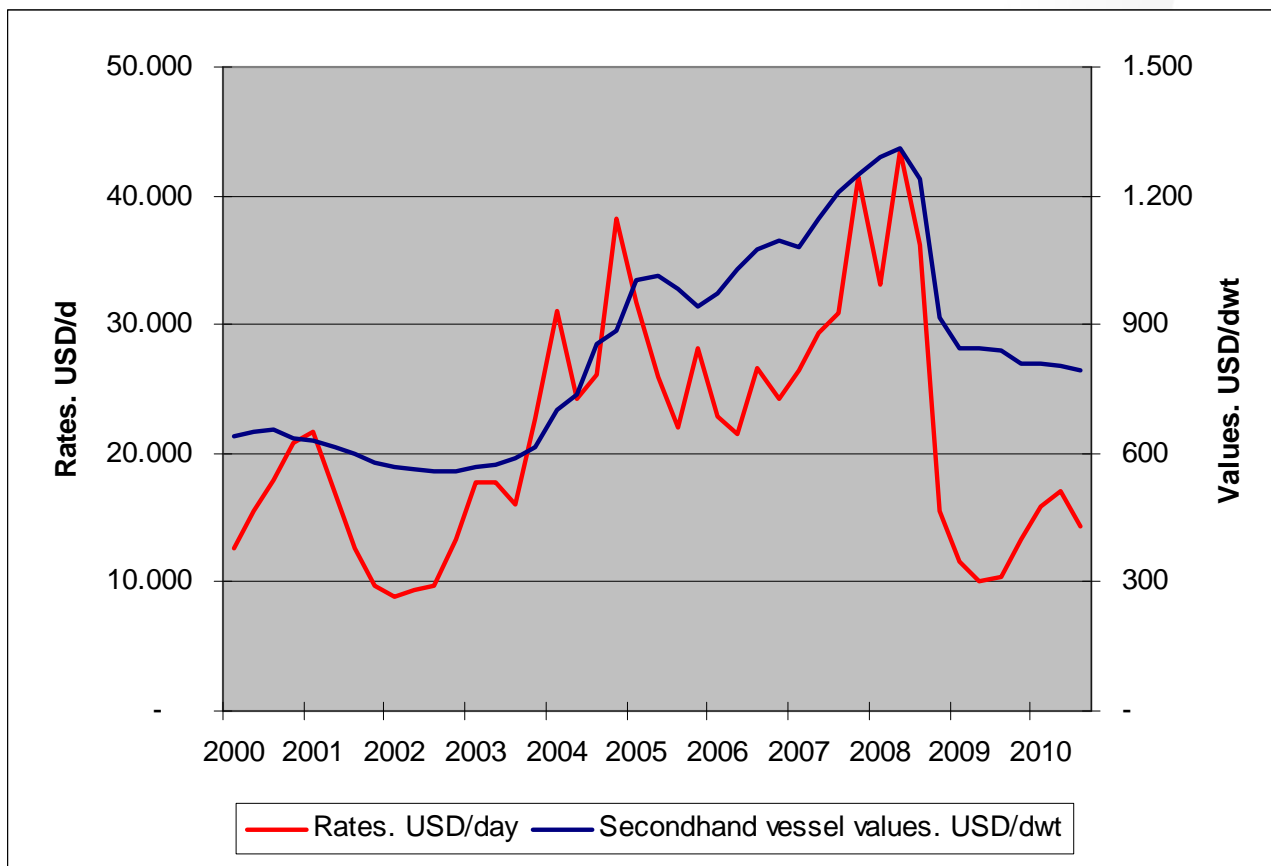
### **Past 10 years in Shipping, Finance – and Denmark**

Shipping banks' role in the Maritime Cluster

Nordea, a global, leading player in maritime financing

Nordea's strategy in maritime finance

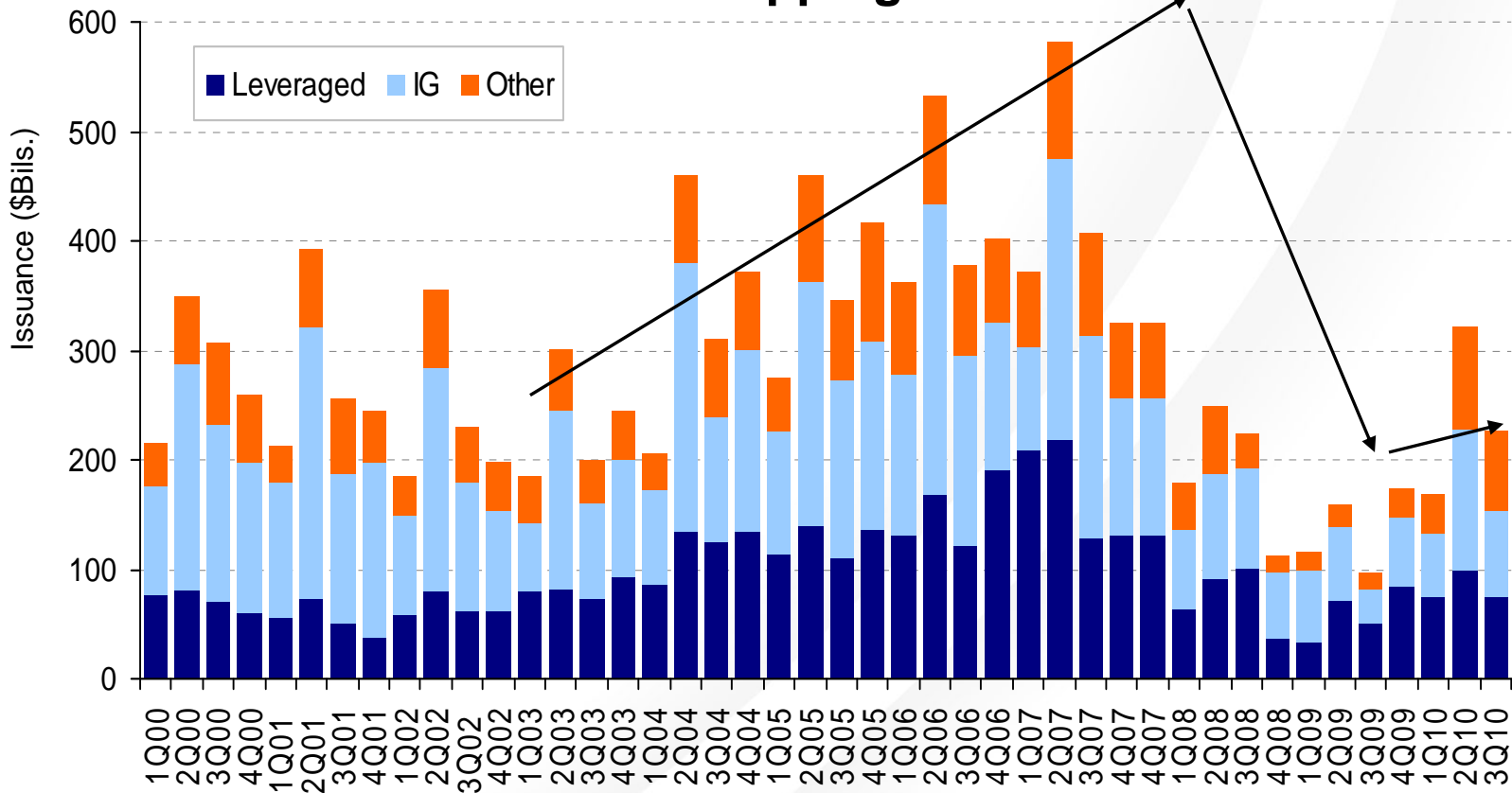
## The shipping market – high volatility



Source: Clarkson and Nordea SOSID ClarkSea Index. Published weekly (monthly) indicator of earnings (secondhand values) for the main commercial vessel types oil tankers (dirty and clean), dry bulk, gas carriers and containerships. It is weighted according to the number of vessels in each fleet sector. Average quarterly rates and end of quarter values in chart.

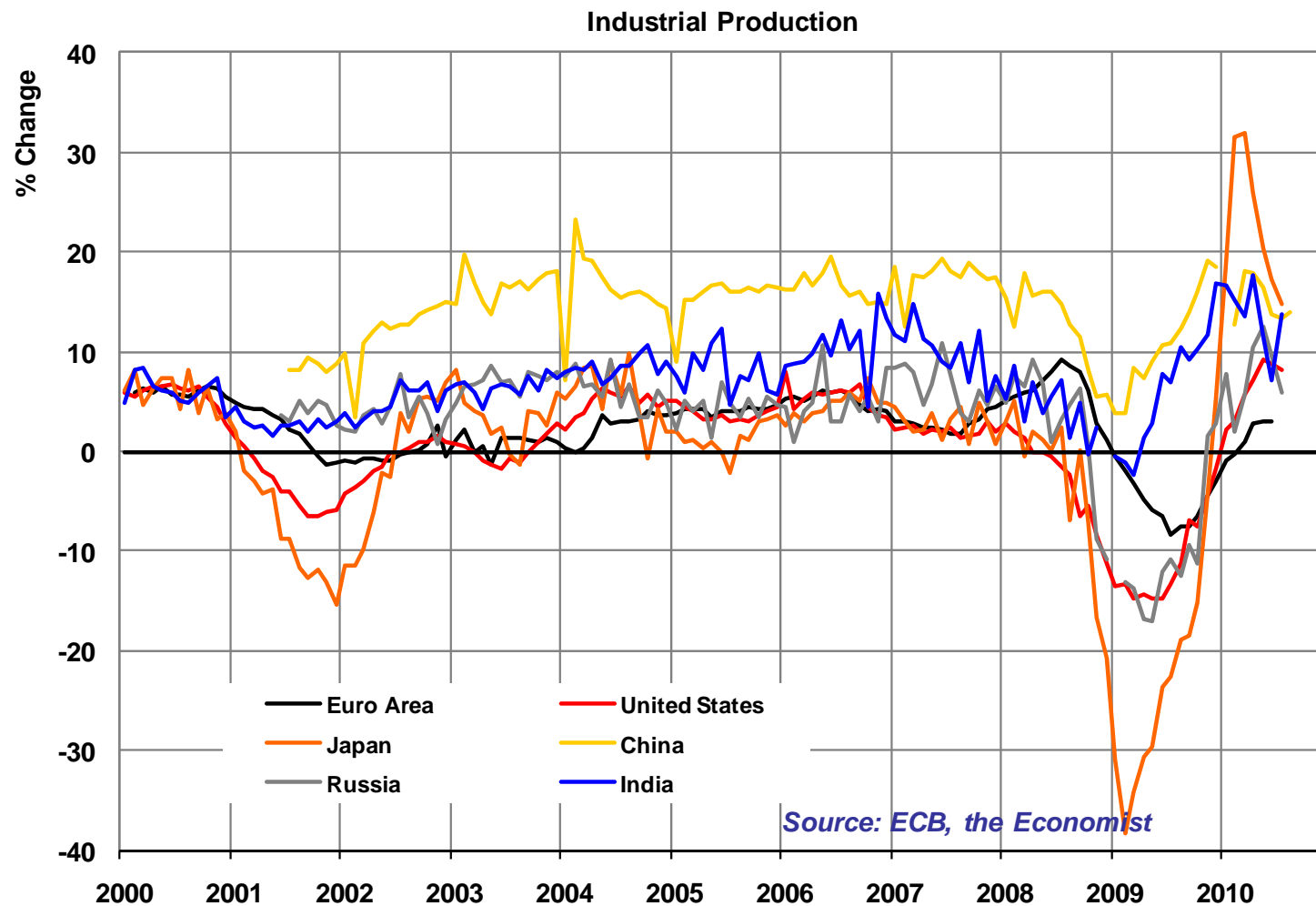
# Recovery in Global Lending Volumes

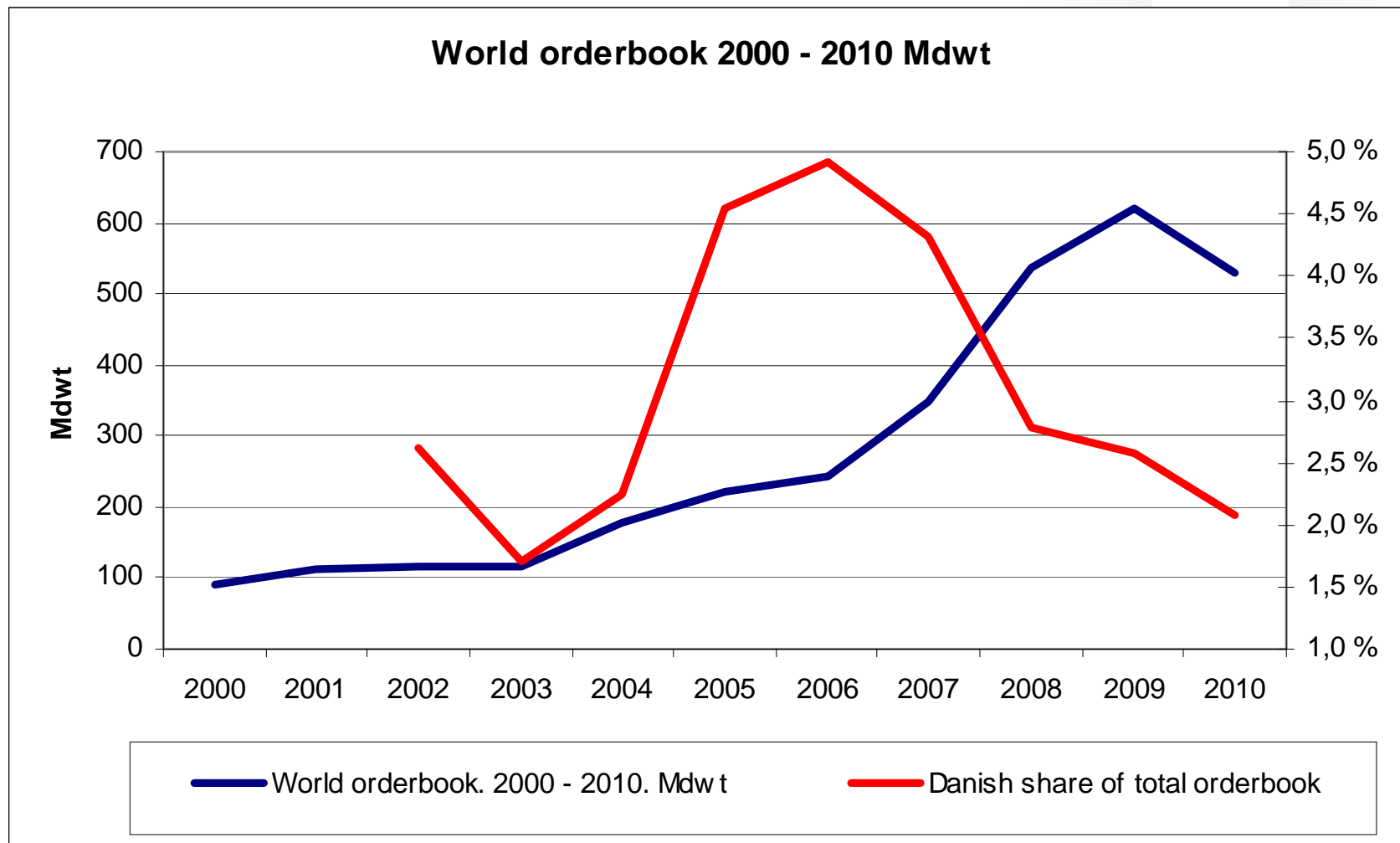
## Loans to Shipping: Trend



Source: Thomson Reuters LPC

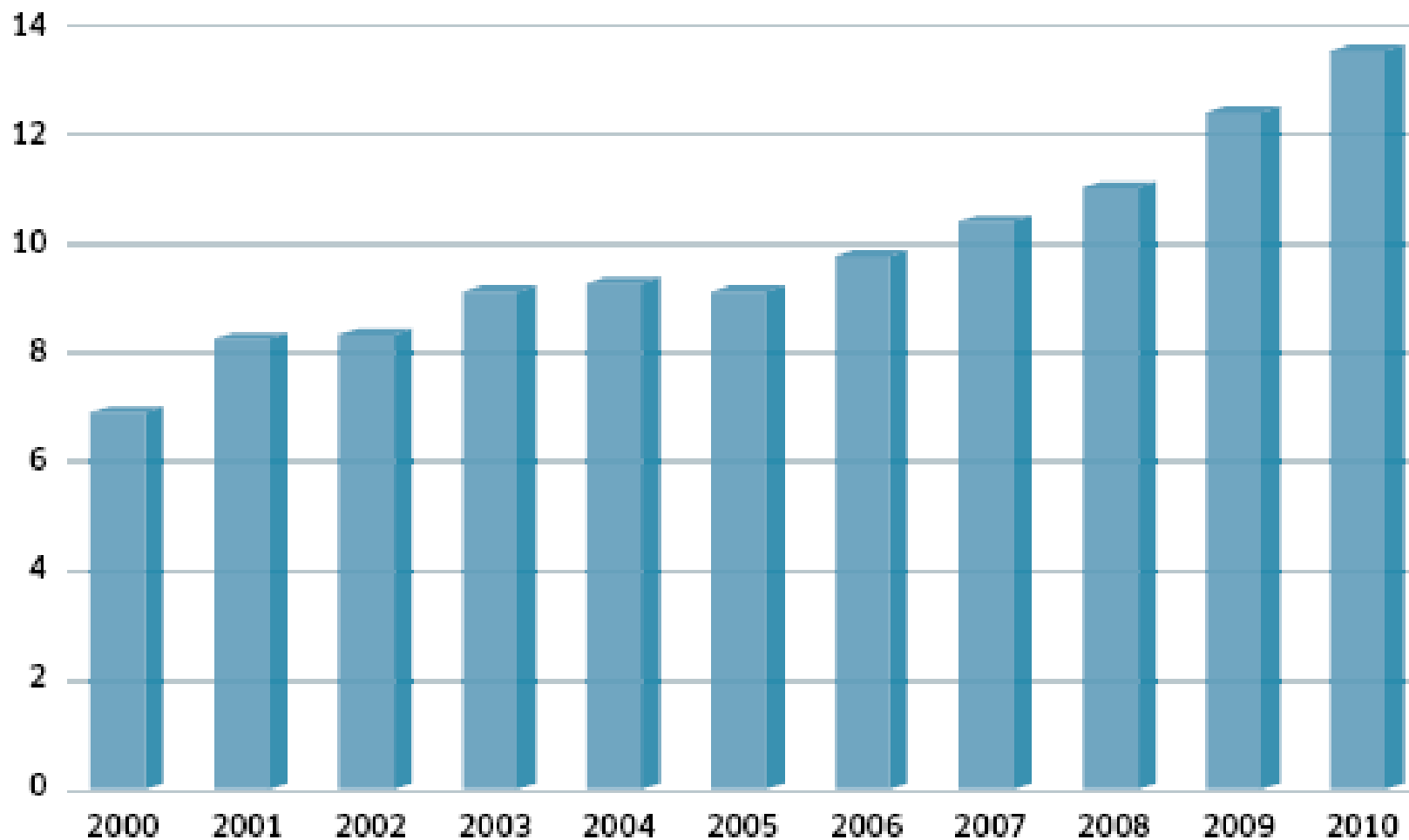
# Industrial Production – Key demand for Shipping





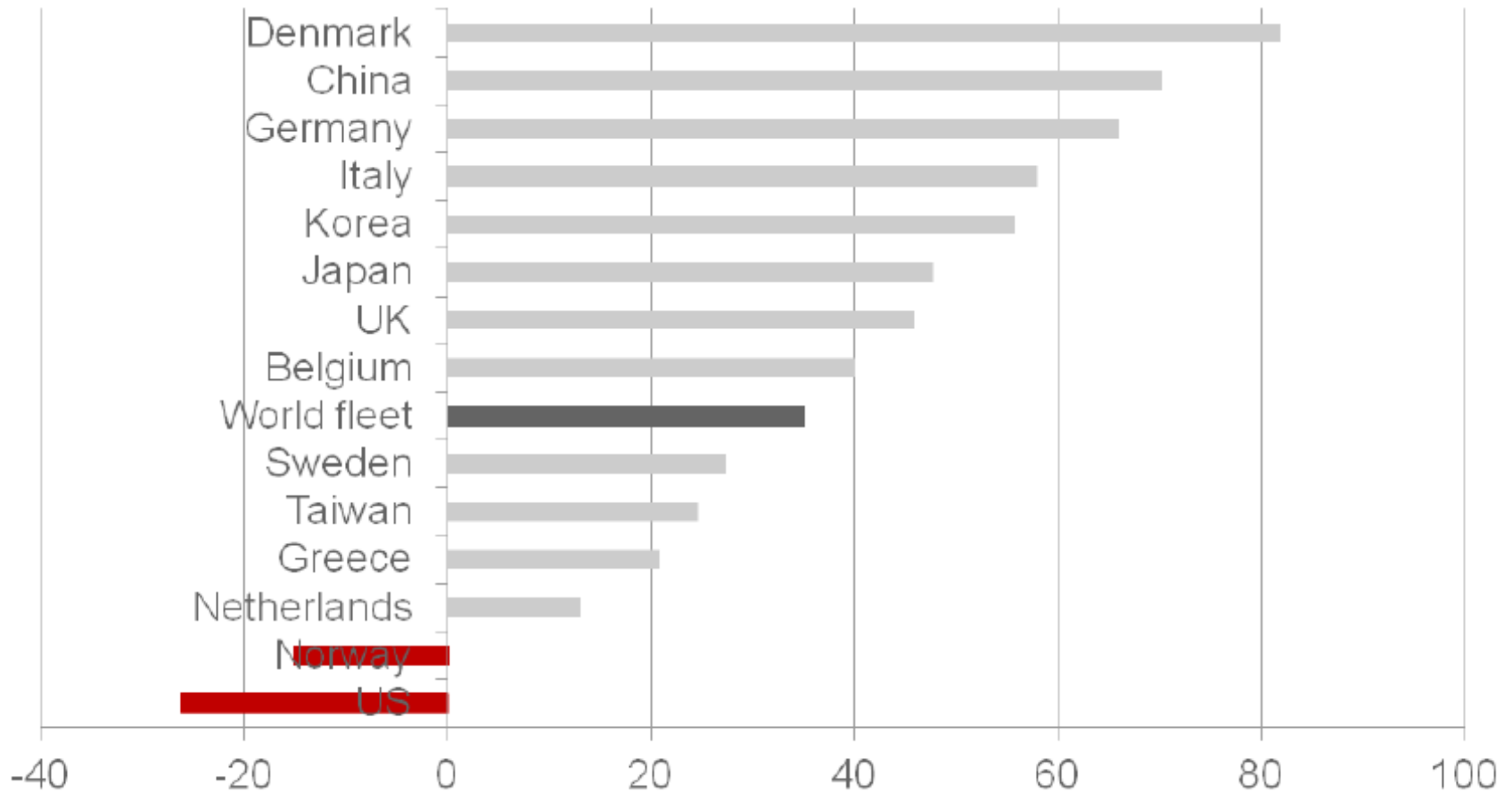
Source:Clarkson and Danish Shipowners Association

## DEN DANSKE HANDELSFLÅDES UDVIKLING MILLIONER TDW



Source: Danish Shipowners Association

## Percent change in dwt. from 2005 to 2010



Source: Lloyds Register / Ernst & Young

## Table of contents:

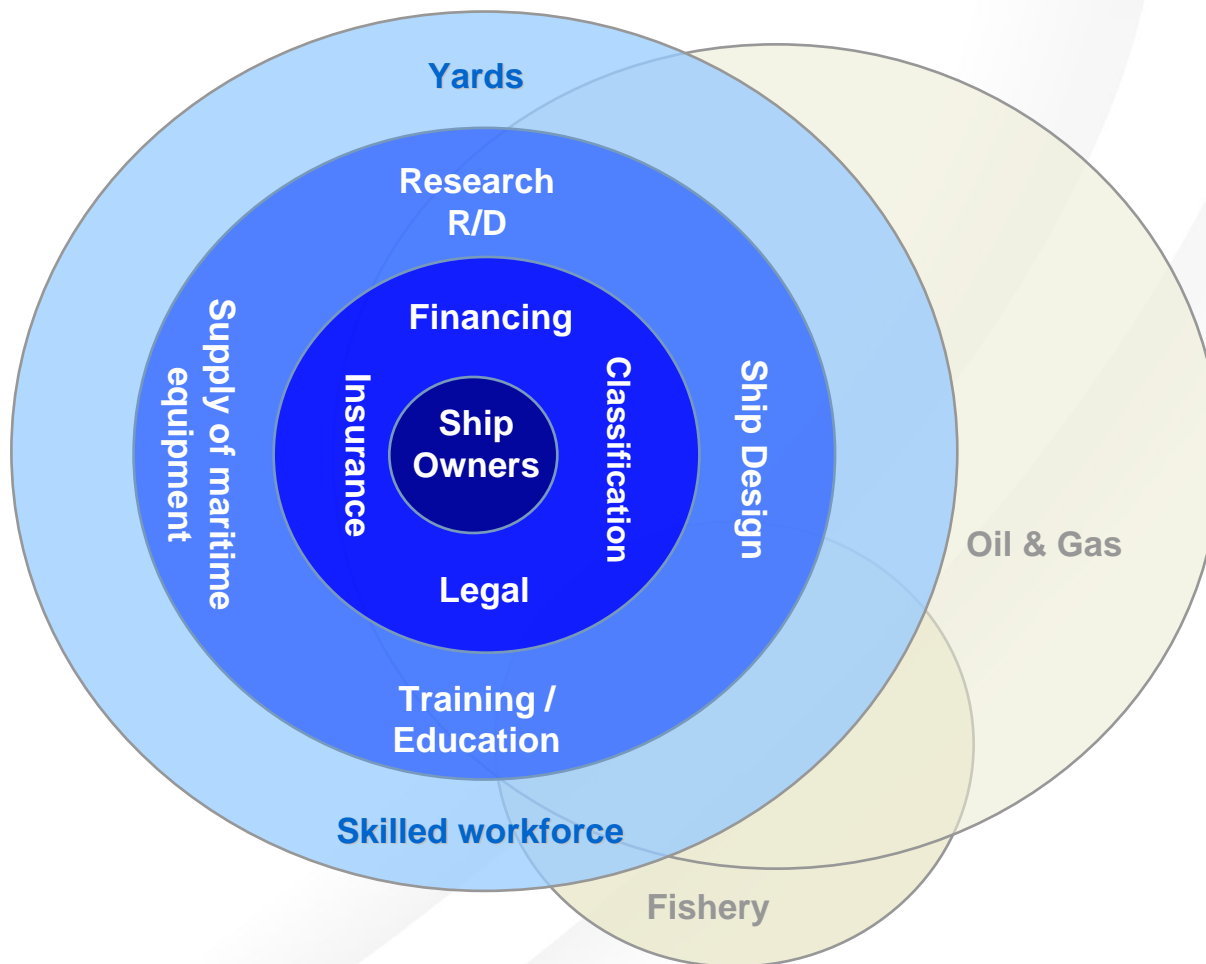
Past 10 years in Shipping, Finance – and Denmark

**Shipping banks' role in the Maritime Cluster**

Nordea, a global, leading player in maritime financing

Nordea's strategy in maritime finance

# The Nordic region has the world's most complete maritime cluster



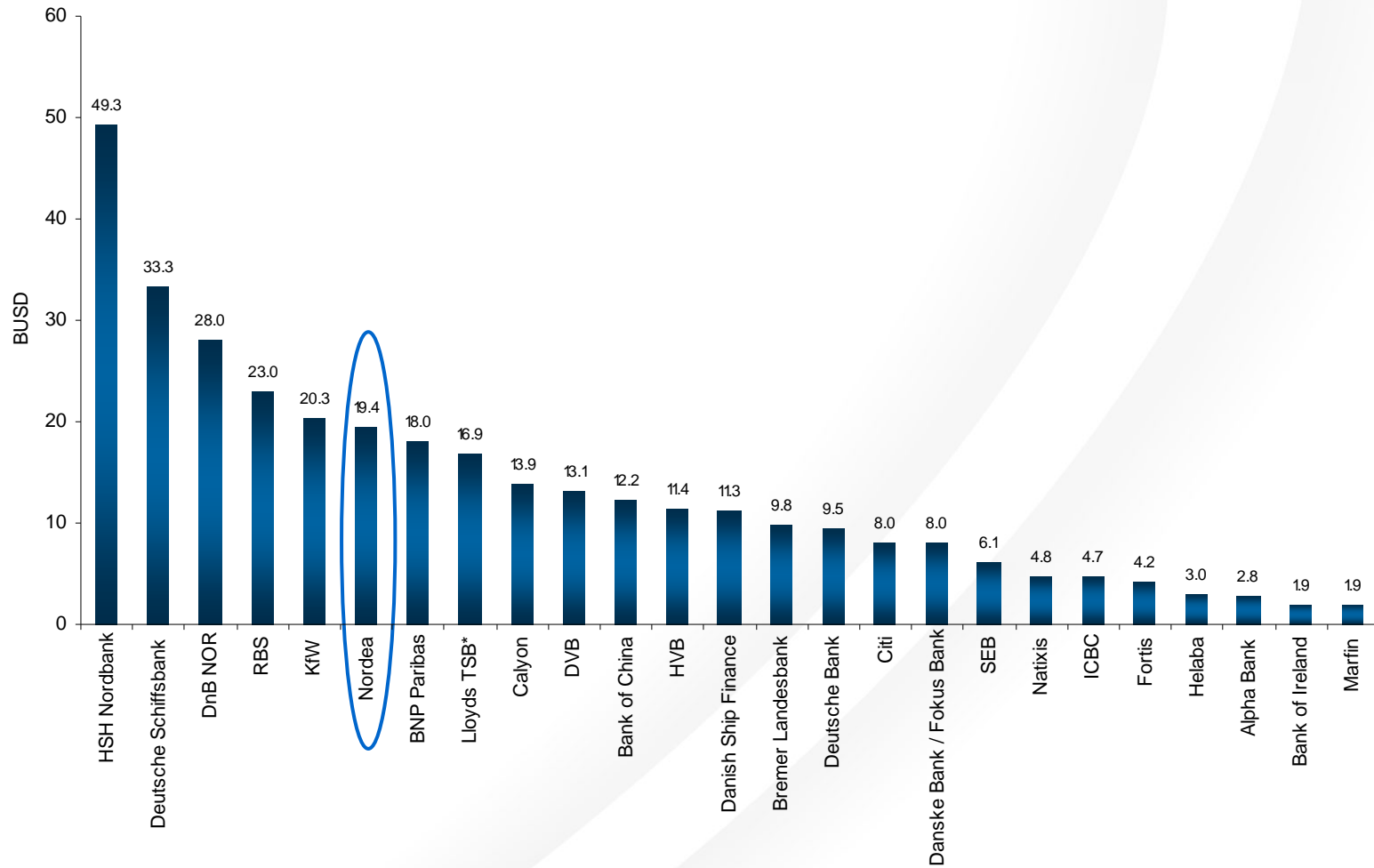
Source: Maritime Forum

# An overview of the Shipping Finance Market

**Commercial banks most important source of credit for shipping**

- **Bilateral loans – one bank, often one asset**
- **Syndicated loans – several banks, one client, several assets**
- **Mortgage structure most common – credit secured by collateral (Asset-backed)**
- **Unsecured lending – Balance sheet exposure**
- **Private Equity / Sale-leaseback – important in some jurisdictions and segments (Germany, Denmark, Norway – KG – K/S)**
- **Public Debt / Bond Markets – increasing, but still small part of total credit pool**

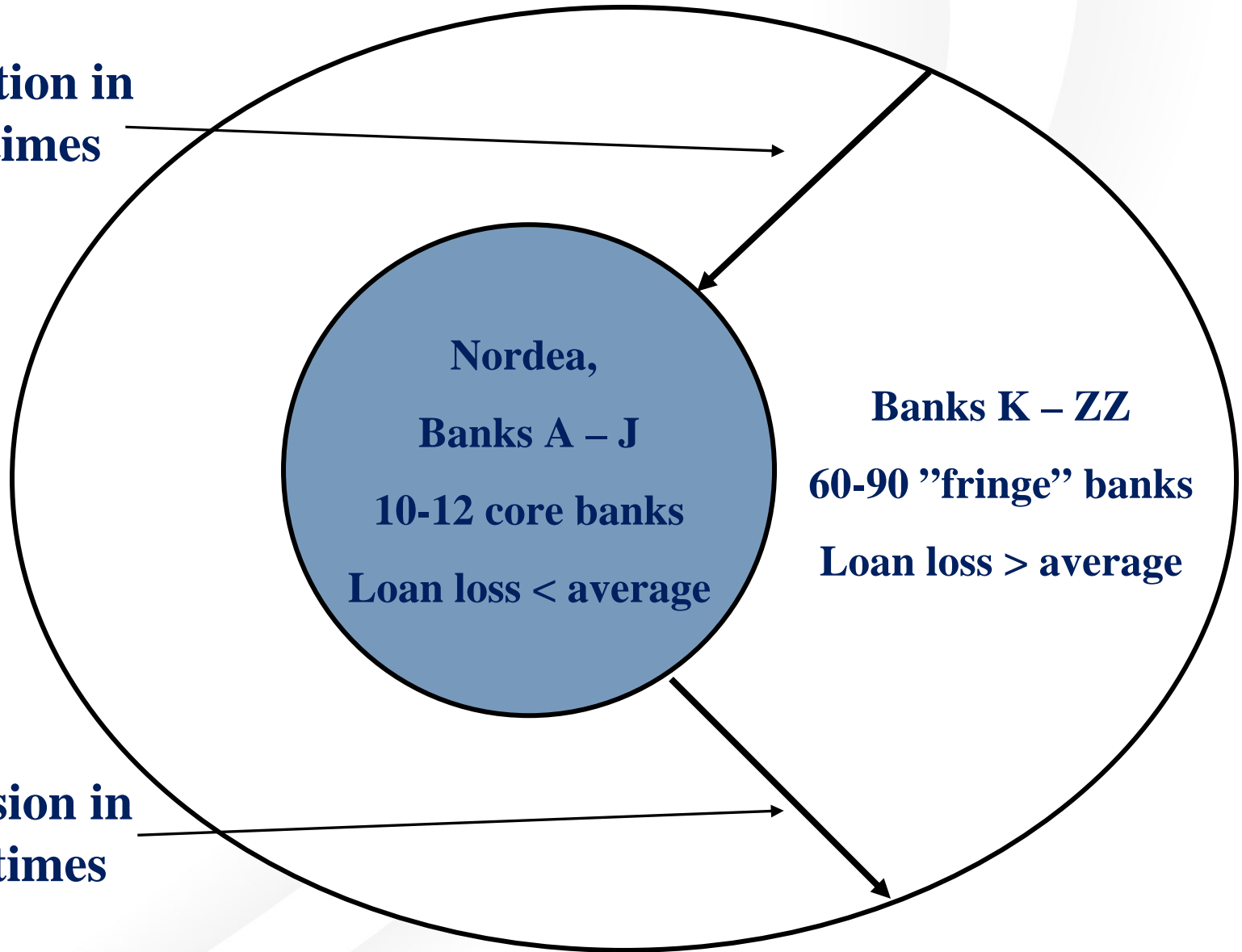
# Shipping exposure per bank



Source: Marine Money, May 2010

# The Banks, who are they?

**Contraction in  
tough times**



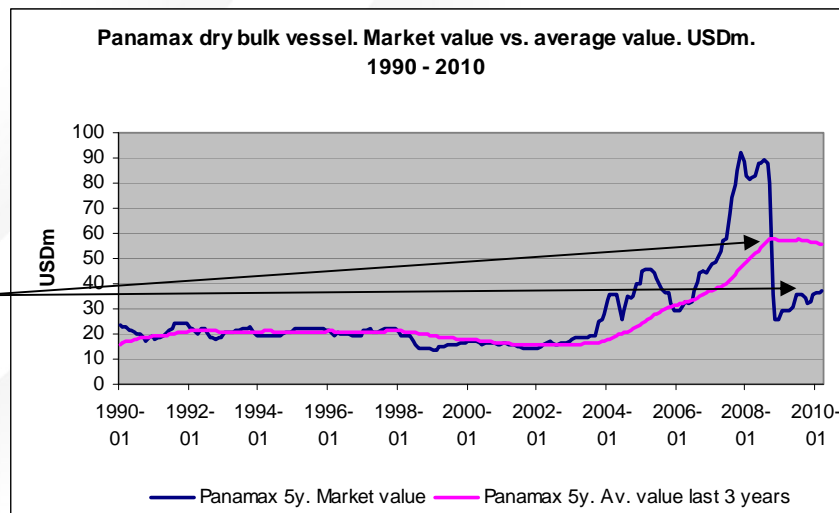
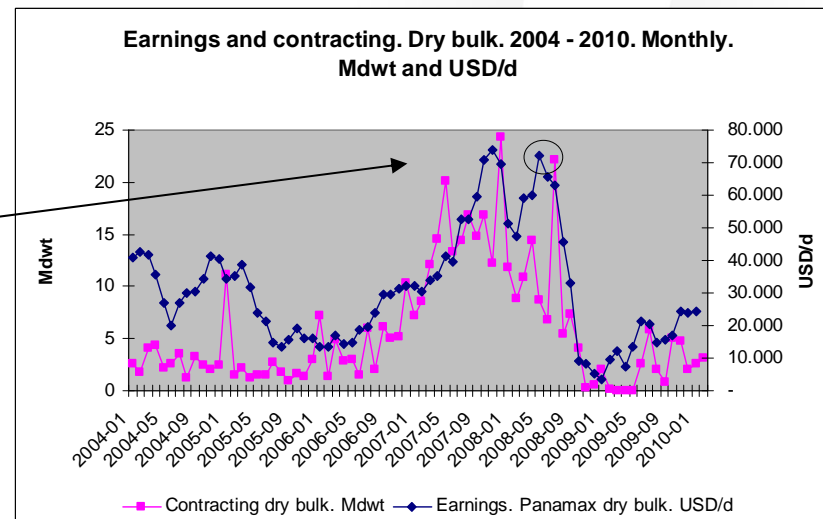
**Expansion in  
good times**

# The Shipping Finance Scene

- **The Hub, Committed to the industry, long term players, Setting the standards and awarded the major mandates, focused strategy, leading large loan facilities for corporate clients.**
  - Number of participants fairly constant
  - Focusing more on customer quality and long term strategy than “spot” market conditions
- **The Tire, committed to a lesser extent. Participating in larger syndicates, and arranging bilateral transactions.**
  - Number of participants vary a lot over time - “peak interest at times of peak earnings & values”
  - Focusing primarily on the asset(s) and short term cashflow
- **The US & European Bond Market as a financing source for Shipping**
  - Minor volumes, best names only, primarily listed companies

## Volatility - reminders

- Prudent banking – vs. investment decision with long horizon based on recent short term development
- Larger equity cushion needed as asset value rise in cycle
  - 50% debt gearing early 2008 on average market value last 3 years give 100% effective debt gearing post crisis.



Source: Clarkson and Nordea

## Volatility – reminders, cont.

## Proper identification of and attitude towards risks

### Market risk

- cyclical
- underlying demand fundamentals
- fleet growth
- S&P liquidity

### Project specific risk

- debt gearing and equity -> break even levels and security coverage
- vessel specifications (stay away from old and odd)
- counterpart (many are worthless in a stress scenario)
- access to capital markets



# Financial Crisis – “Shipping Style”

- **Shipping companies made a mess for themselves – overcontracting, taking funding for granted.....New feature**
- **Boom and bust – sharp deterioration of asset values and cashflows – we’ve seen it before, and it will happen again.....but sharper and more abrupt than most downturns**
- **Access to bank lending – issues not related to shipping have created serious problems in the banking sector – but due to the high capital intensity shipping is among the industries hit the hardest**

➤ **TOXIC COCKTAIL**

## Table of contents:

Past 10 years in Shipping, Finance – and Denmark

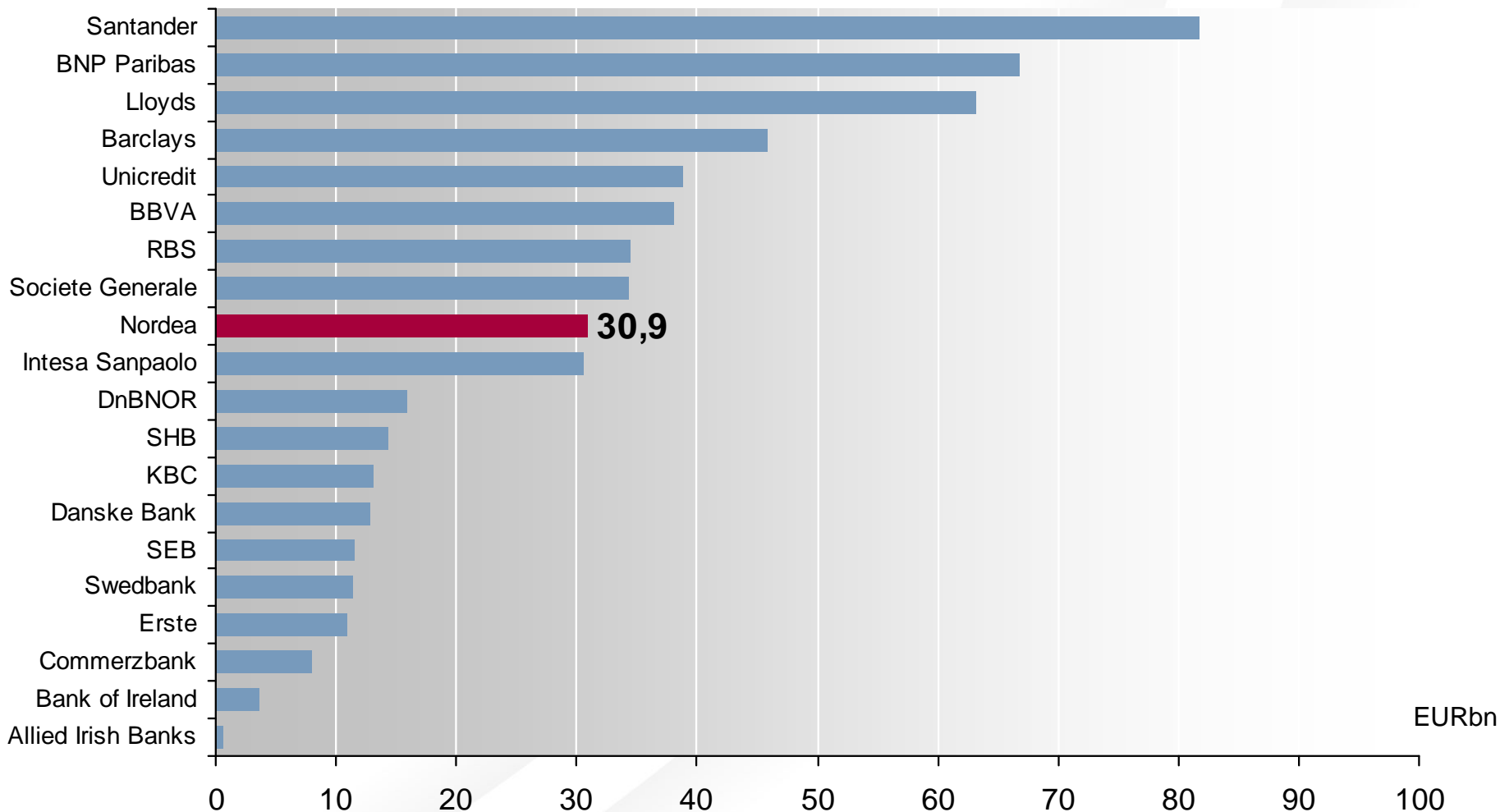
Shipping banks' role in the Maritime Cluster

**Nordea, a global, leading player in maritime financing**

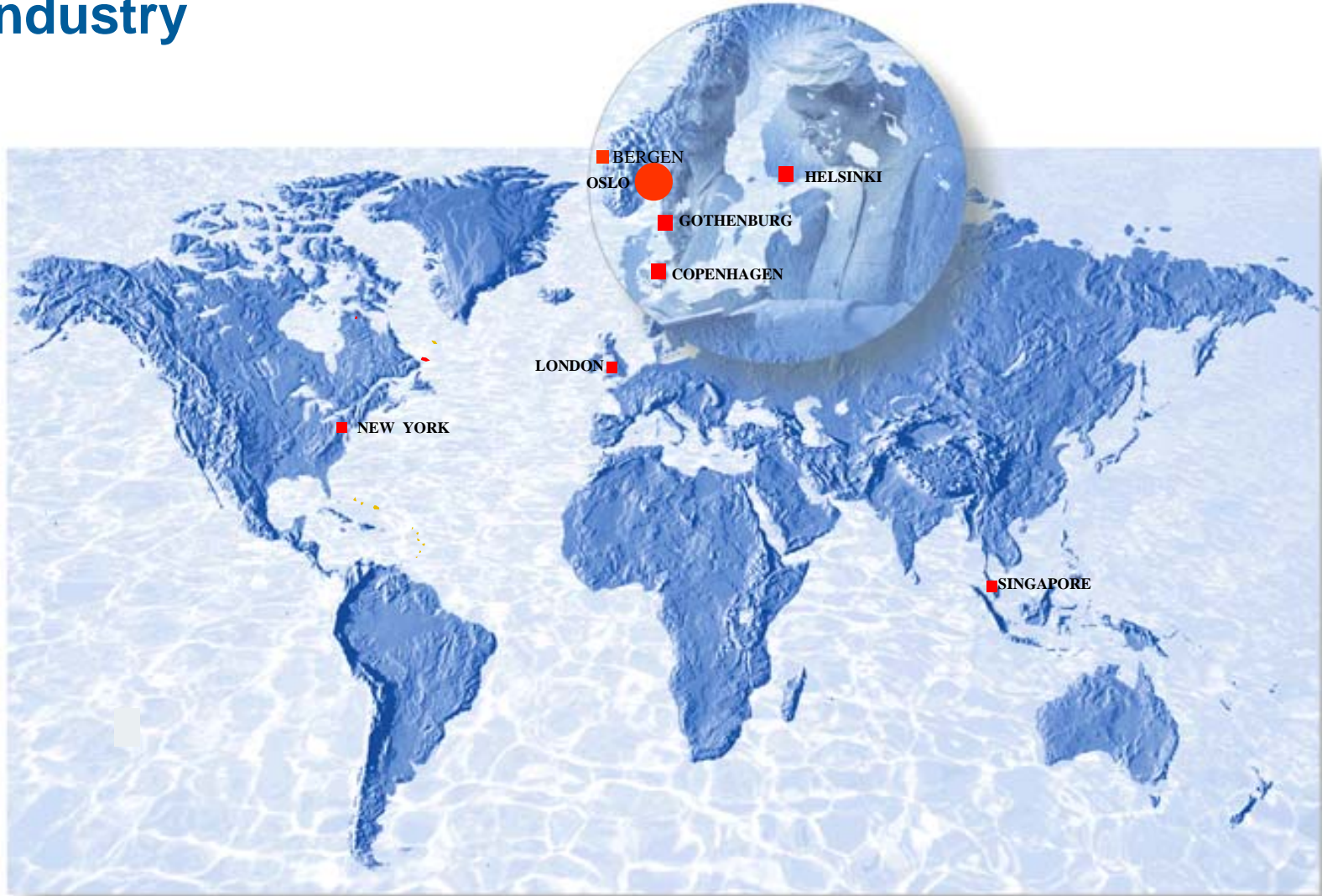
Nordea's strategy in maritime finance

## Among the top ten European banks

Market capitalisation (15 September 2010)



# Global presence - providing services to the maritime industry

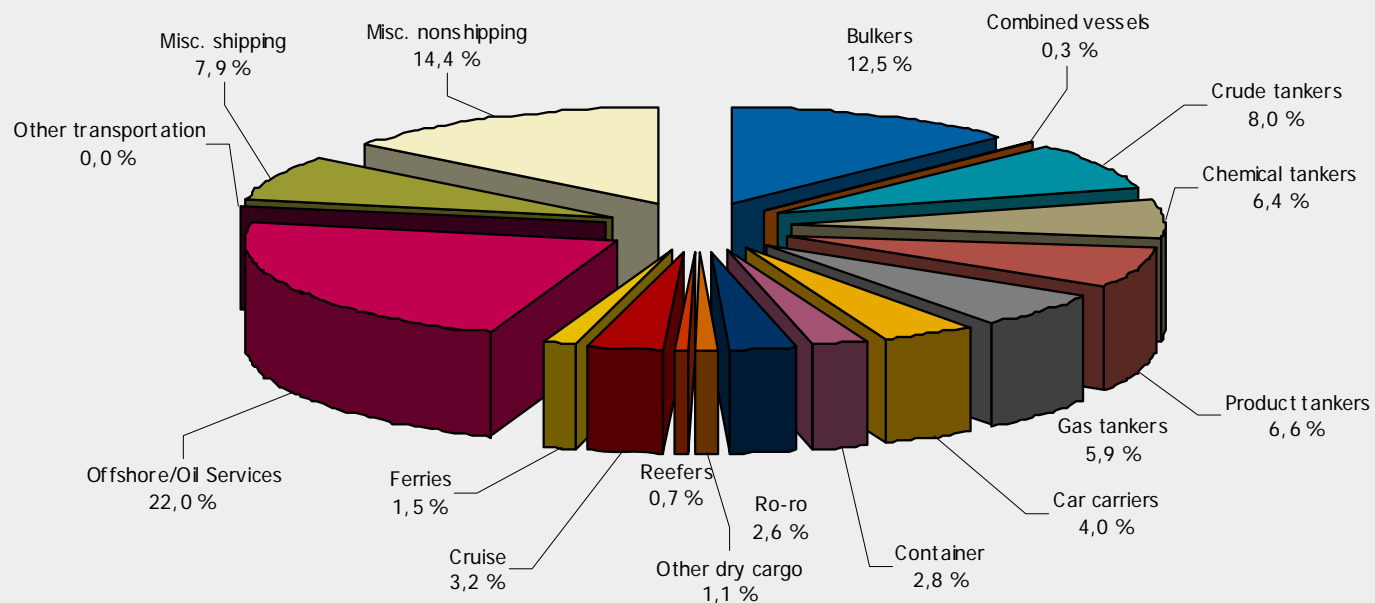


## Well diversified credit portfolio

Q2/2010:

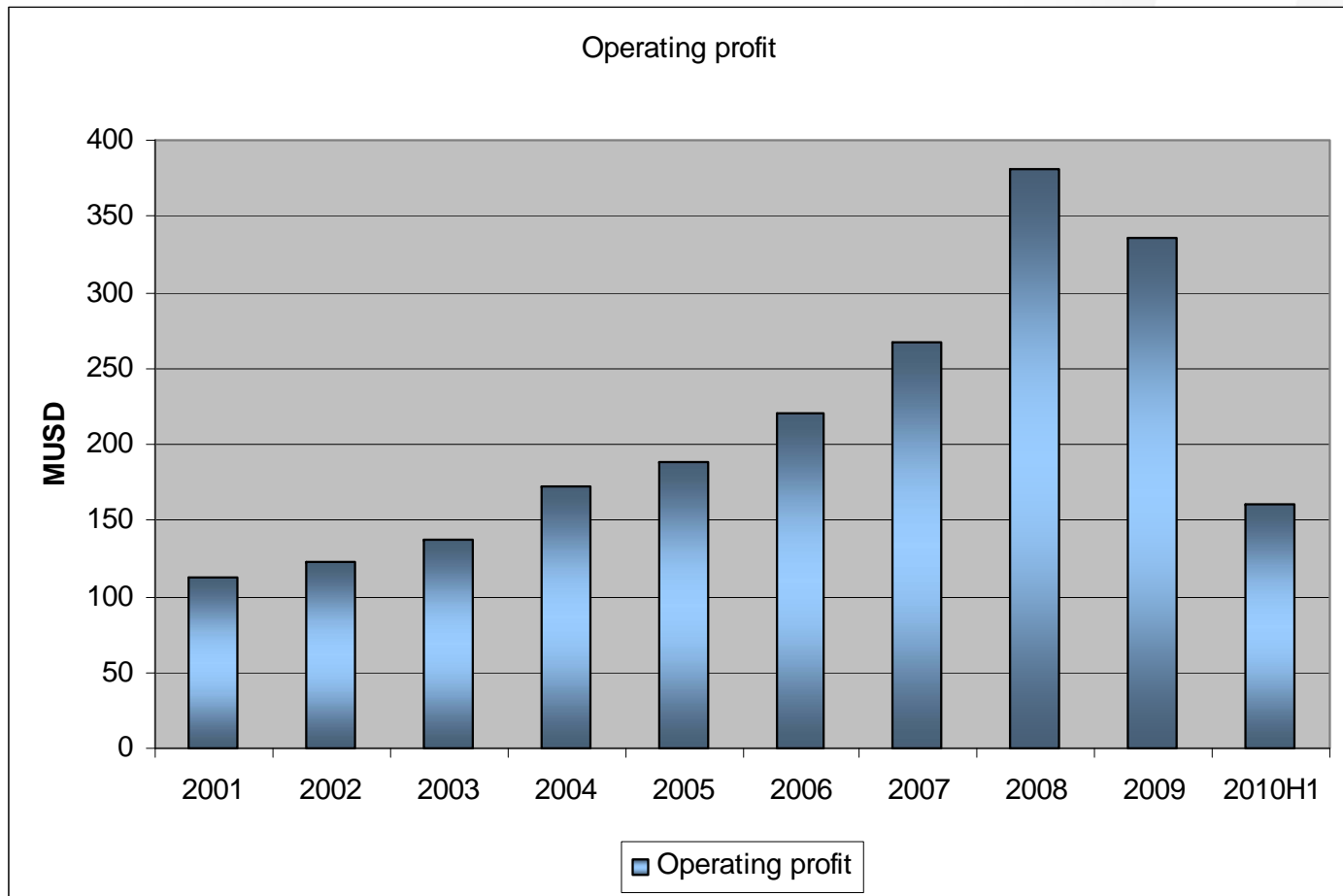
Total commitments: EUR 18.6bn

Total lending: EUR 14.5bn

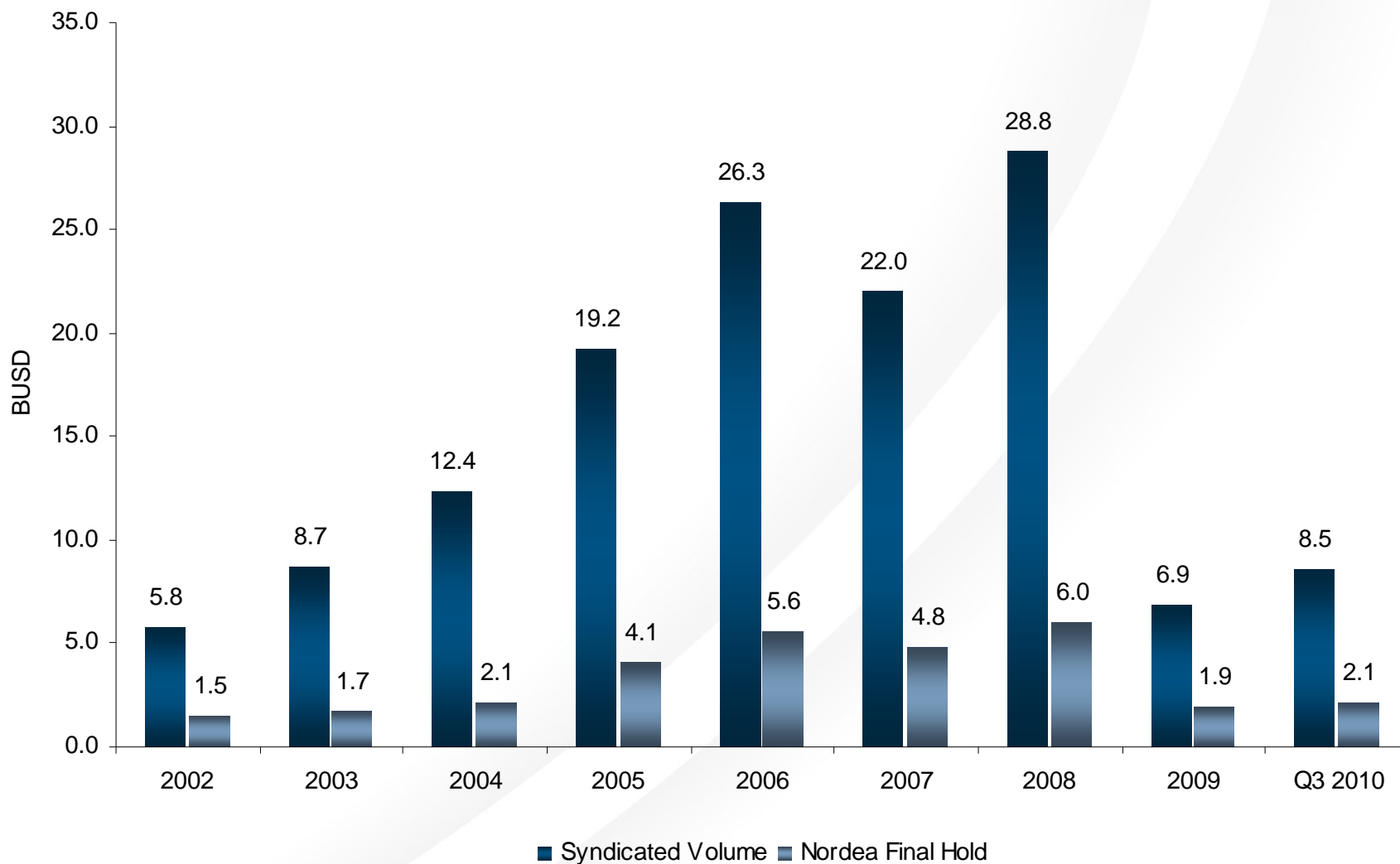


Source: Nordea SOSID

## Strong financial performance in Shipping & Oil Services



## Nordea - arranged volume of syndicated loans



## The 12 largest transactions in 2010

Company logo	Borrower	Loan amount	Tenor & Type of Loan
	Seadrill Ltd.	\$ 1,200 mill	5 year Term Loan / Revolver
	Royal Caribbean Cruises Ltd.	\$ 1,130 mill	12 year Term Loan
	Acergy S.A.	\$ 1,000 mill	5 year Guarantee Facility / Revolver
	Stena AB	SEK 6,600 mill	7 year Revolver
	Ship Finance International Ltd.	\$ 725 mill	5 year Term Loan / Revolver
	Seadrill Ltd	\$ 700 mill	7 year Term Loan / Revolver
	Veritable Maritime Holdings LLC	\$ 550 mill	6 year Term Loan
	Songa Offshore SE	\$ 531 mill	5 year Term Loan / Revolver
	General Maritime Corporation	\$ 372 mill	5 year Term Loan
	United Arab Chemical Carriers Ltd	\$ 200 mill	7 year Term Loan
	Crude Carriers Corp.	\$ 200 mill	5 year Term Loan
	Norspan LNG VII AS	\$ 180 mill	5 year Term Loan

## Table of contents:

Past 10 years in Shipping, Finance – and Denmark

Shipping banks' role in the Maritime Cluster

Nordea, a global, leading player in maritime financing

**Nordea's strategy in maritime finance**

## Nordea SOSID - Vision and Strategy

Our Vision is to be the leading provider of financial services to the international shipping and oil services industries

### Strategy – key features;

- **well respected, predictable and knowledgeable long-term partner for our customers**
- **well diversified portfolio with leading operators in core segments and defined geographical markets**
- **one of the leading arrangers to the shipping and oil services industries with respect to origination, structuring and syndication**
- **focus on risk, costs, capital efficiency, and profitability**

## Credit Policy – key features

- **Predominantly secured asset financing, with an effective set of covenants, including a minimum value clause**
- **The combination of cash-flow predictions, quality of the debtor, and security must be satisfactory**
- **Anti-cyclical approach:**
  - Advance rates based on (a) liquidity and stability of the asset values, and (b) status of the world economy
  - Repayment schedules reflecting our expectations of the market

## Nordea SOSID continue to focus on

- High competencies
- High quality client relationships
- High standards of profitability and performance



*Making it  
possible*